TOYS"R"US
KIDS"R"US

Annual Report Year Ended February 2, 1991

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Toys"R"Us is the world's largest and fastest growing children's specialty retail chain in terms of both sales and earnings. At February 2, 1991, the Company operated 451 toy stores in the United States, 97 international toy stores and 164 Kids"R"Us children's clothing stores.

STORE LOCATIONS

TOYS"R"US UNITED STATES - 451 LOCATIONS

Alabama - 5
Arizona - 6
Arkansas - 2
California - 57
Colorado - 6
Connecticut - 6
Delaware - 1
Florida - 31
Georgia - 11
Hawaii - 1
Idaho - 1
Illinois - 27
Indiana - 11
Iowa - 3
Kansas - 4
Kentucky - 6
Louisiana - 6
Maine - 2
Maryland - 13
Massachusetts - 9
Michigan - 19
Minnesota - 6
Mississippi - 3
Missouri - 7
Nebraska - 1
Nevada - 3
New Hampshire - 3
New Jersey - 18
New Mexico - 1
New York - 31
North Carolina - 10
Ohio - 25
Oklahoma - 3
Oregon - 5
Pennsylvania - 23
Rhode Island - 1
South Carolina - 8
Tennessee - 7
Texas - 34
Utah - 3
Virginia - 12
Washington - 9
West Virginia - 2
Wisconsin - 7

Puerto Rico - 2

KIDS"R"US - 164 LOCATIONS

Alabama - 1
Arizona - 3
California - 24
Connecticut - 4
Delaware - 1
Florida - 5
Georgia - 2
Illinois - 18
Indiana - 7
Iowa - 1
Kansas - 1
Maine - 1
Maryland - 6
Massachusetts - 1
Michigan - 16
Minnesota - 4
Missouri - 2
Nebraska - 1
New Hampshire - 1
New Jersey - 13
New York - 12
Ohio - 18
Pennsylvania - 11
Rhode Island - 1
Texas - 1
Virginia - 6
Wisconsin - 3

TOYS"R"US INTERNATIONAL - 97 LOCATIONS

Canada - 32
France - 10
Germany - 18
Hong Kong - 3
Malaysia - 2
Singapore - 2
Taiwan - 2
United Kingdom - 28

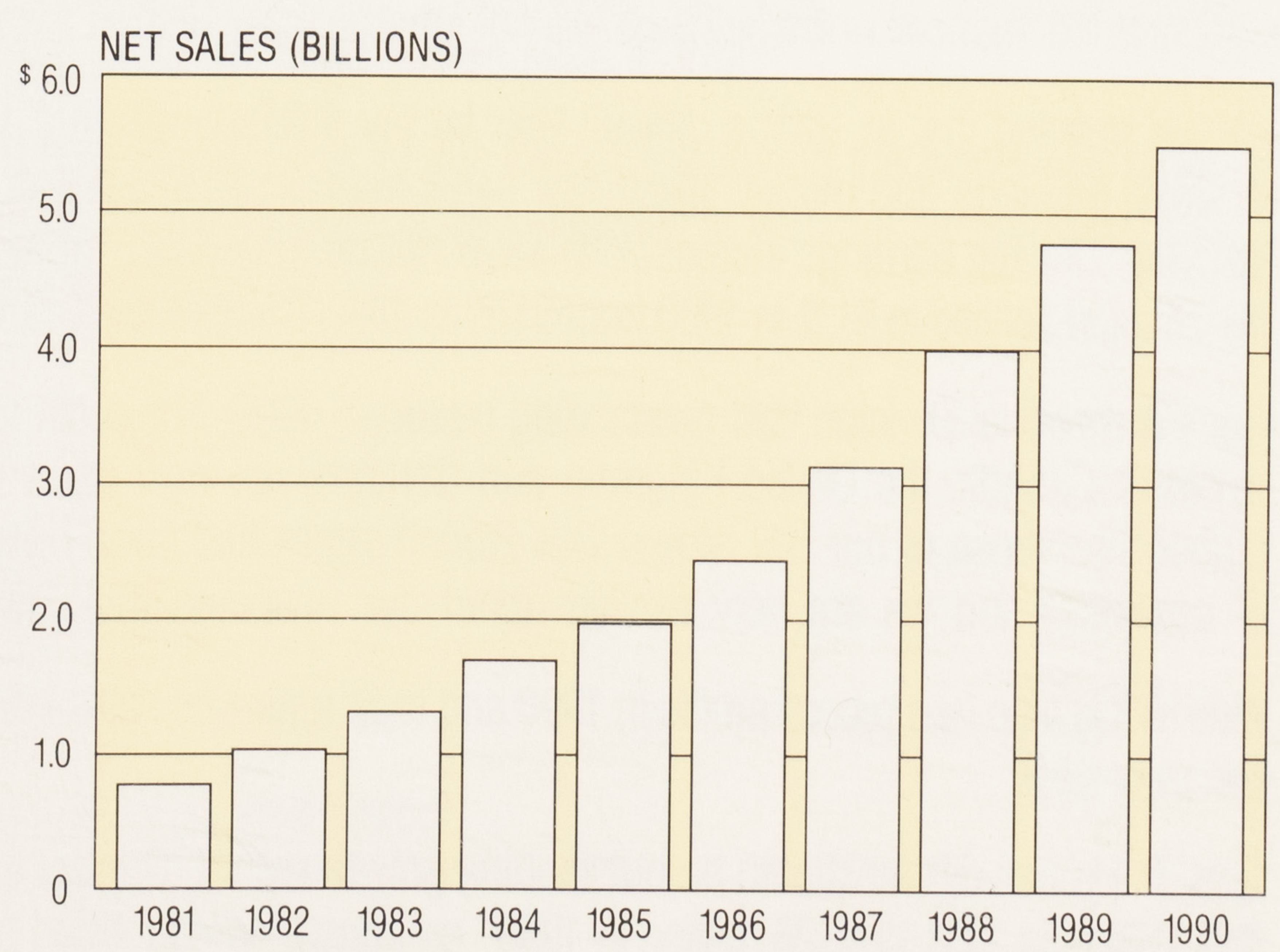
FINANCIAL HIGHLIGHTS

(In millions except per share information)

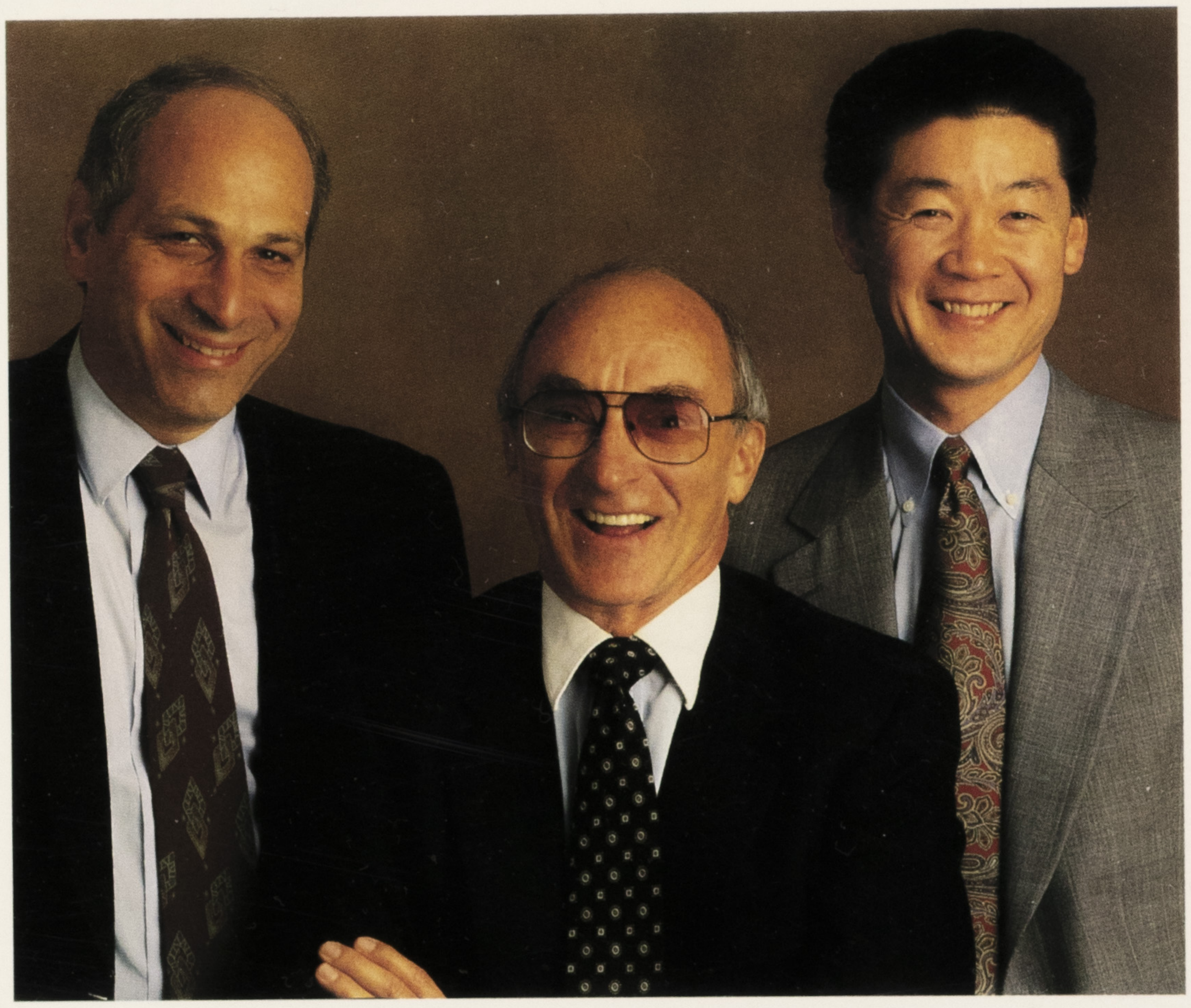
Fiscal Year Ended

	Feb. 2 1991	*Jan. 28 1990*	*Jan. 29 1989*	*Jan. 31 1988*	*Feb. 1 1987*	*Feb. 2 1986*	*Feb. 3 1985*	*Jan. 29 1984*	*Jan. 30 1983*	*Jan. 31 1982*
OPERATIONS:										
Net Sales	$5,510	$4,788	$4,000	$3,137	$2,445	$1,976	$1,702	$1,320	$1,042	$783
Net Earnings	326	321	268	204	152	120	111	92	64	49
Net Earnings Per Share*	1.11	1.09	.91	.69	.52	.41	.39	.32	.23	.19
FINANCIAL POSITION AT YEAR-END:										
Working Capital	177	238	255	225	155	181	222	220	157	137
Real Estate-Net	1,433	1,142	952	762	601	423	279	185	121	79
Total Assets	3,582	3,075	2,555	2,027	1,523	1,226	1,099	820	559	442
Long-Term Obligations	195	173	174	177	85	88	88	55	42	88
Stockholders' Equity	2,046	1,705	1,424	1,135	901	717	579	460	323	206
NUMBER OF STORES AT YEAR-END:										
Toys"R"Us - United States	451	404	358	313	271	233	198	169	144	120
Toys"R"Us - International	97	74	52	37	24	13	5	—	—	—
Kids"R"Us	164	137	112	74	43	23	10	2	—	—

*Restated to reflect the three-for-two stock split effected on June 29, 1990.



TO OUR STOCKHOLDERS



Left to right: Michael Goldstein - Vice Chairman - Chief Financial and Administrative Officer,
Charles Lazarus - Chairman of the Board and Chief Executive Officer,
Robert C. Nakasone - Vice Chairman - President of Worldwide Toy Stores.

HIGHLIGHTS OF THE PAST YEAR

The 1990 retailing environment was very difficult. A significant decline in consumer confidence, the slowing of the economy and concerns raised by the Persian Gulf crisis all combined to turn the 1990 year into one of the most challenging we have seen in recent years. While retailers of all types of merchandise were negatively affected by the downturn, the period was especially tough for toy retailers. A number of retailers, including specialty toy retailers, attempted to stimulate business by running deep discount sales and special promotions. As a result, some retailers with strained financial underpinnings will not emerge from 1990 in a very competitive position.

We are pleased that in such a difficult year for toy retailers, we were able to report increases in sales, earnings and market share. Our sales reached $5.510 billion, a 15.1% increase over last year. Our net earnings increased to $326 million from $321 million in 1989. Net earnings per share increased to $1.11 in 1990 from $1.09 in 1989. Comparable U.S. toy store sales rose .3%.

Our International Division had outstanding results in 1990. The profit margins for many of our stores in Canada, the United Kingdom and Germany are now equal to and in certain cases higher than those of our U.S. stores. Our French stores had good results in their first full year of operation and we are very excited about our openings this year in Japan and Spain.

Kids"R"Us also had record profits in 1990 and their return on sales improved significantly over the prior year.

Toys"R"Us has demonstrated an outstanding growth record. Our net earnings have risen from $49 million in 1981 to $326 million in 1990 - an annual compounded growth rate of over 23%.

In 1990, Toys"R"Us opened 47 toy stores in the United States, including new markets in Colorado and Utah and our first stores in Hawaii and downtown Manhattan. Internationally, 23 toy stores were opened in existing markets. Also, we opened 27 Kids"R"Us children's clothing stores, including stores in Florida, Georgia and Arizona.

At the end of 1990, we had 548 toy stores operating in 44 states, Puerto Rico, Canada, France, Germany, Hong Kong, Malaysia, Singapore, Taiwan and the United Kingdom. We also had 164 Kids"R"Us stores in operation.

OUTLOOK FOR THE COMING YEAR

We look forward to a much stronger year in 1991, with declining profits in the first half of the year more than offset by a vibrant second half. Our assessment of the February Toy Fair indicates another strong year in categories such as dolls, action figures, juvenile and pre-school.

We expect to continue increasing our productivity by expanding our use of high technology distribution centers. In 1990, we opened our first "state of the art" distribution center in Southern California. In 1991, we will open high technology distribution centers in Illinois and Texas and in 1992, we will open another distribution center in Ohio. In 1991, we will continue to expand our use of electronic data interchange (EDI) with our suppliers and improve our merchandise flow from resources to our stores to increase inventory turnover and improve our in-stock positions. In Europe we intend to complete our installation of labor scheduling. In 1991, we expect our International Division to generate sales of

over one billion dollars, becoming the second largest toy retailer in the world. Only Toys"R"Us in the United States will be a larger toy retailer.

We intend to capitalize on our business throughout the world, by aggressively pricing our merchandise to achieve large market share gains.

HUMAN RESOURCES

The excellence of our management team and associates enables Toys"R"Us to expand aggressively and profitably.

We have made the following important additions to our executive ranks:

Larry D. Bouts – President, Toys"R"Us, International Division

Jerel G. Hollens – Vice President, Merchandise Planning and Allocation, Kids"R"Us Division

Richard Markee – Vice President, General Merchandise Manager, Kids"R"Us Division

Guillermo Porrati – Managing Director, Toys"R"Us Iberia S.A.

Manabu Tazaki - Managing Director, Toys"R"Us Japan, Ltd.

EXPANSION PLANS

We are planning 45-50 new toy stores in the United States and 30-35 new toy stores internationally, including our first stores in Japan and Spain. Also, we plan to open 25-30 additional Kids"R"Us stores (including 16 stores opened through March 1991) with new markets in Missouri, Texas and Utah.

Left to right: Larry D. Bouts - President - Toys"R"Us International,
Roger V. Goddu - Executive Vice President - General Merchandise Manager - Toys"R"Us, U.S.
Michael M. Searles - President - Kids"R"Us.

SUMMARY

The exciting world of Toys"R"Us continues to expand. We have three growth vehicles, Toys"R"Us - U.S., Toys"R"Us - International and Kids"R"Us. Being well financed, we intend to capitalize on our strong competitive position and look forward to greater sales, earnings and market share gains in 1991.

We value our excellent relationships with our toy and clothing suppliers and commend them for their innovative product offerings which create excitement in our stores. For our customers, we will work hard to continue being the most trusted store in town.

We recognize the dedication and quality work of our associates around the world who have made this another record year. Our appreciation is also extended to you, our stockholders, for your commitment and loyalty to Toys"R"Us.

Sincerely,

Charles Lazarus

Charles Lazarus
Chairman of the Board and Chief Executive Officer

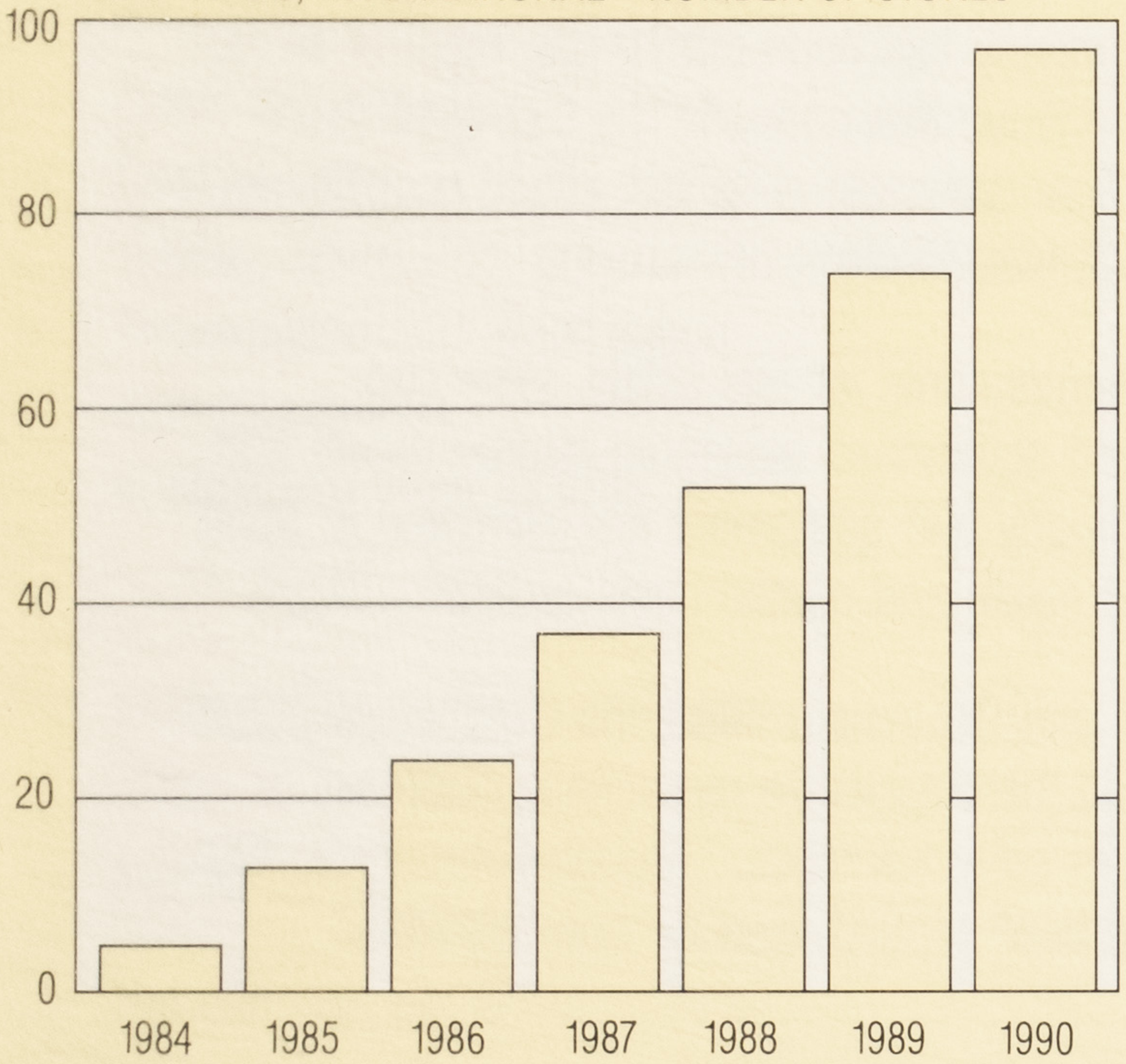
March 28, 1991

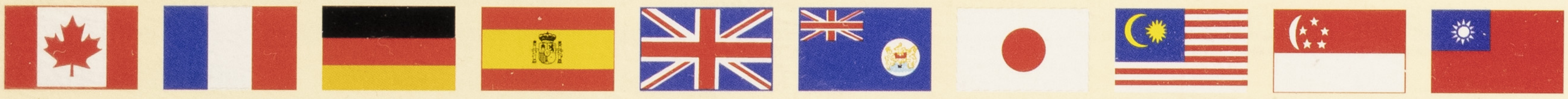
Over the past 20 years, Toys"R"Us has become part of the American lexicon, synonymous with having more toys and more games than any other store. Over the next decade, we plan to establish global recognition for Toys"R"Us, with expansion plans and growth prospects that will lead to international dominance in the 90's.

With the Grand Opening of Toys"R"Us, Manhattan, in November, we faced the challenge of our first inner city location. The crowds of people wrapped around 34th Street, eight abreast, in the pouring rain, were a testament to the excitement generated by Toys"R"Us.

A sampling of international advertising illustrates that children around the world know and want Barbie, Lego, Fisher-Price and Nintendo. This makes the toy market a uniquely international opportunity.

TOYS''R''US, INTERNATIONAL - NUMBER OF STORES





CANADA 32 | FRANCE 10 | GERMANY 18 | SPAIN* | UNITED KINGDOM 28 | HONG KONG 3 | JAPAN* | MALAYSIA 2 | SINGAPORE 2 | TAIWAN 2

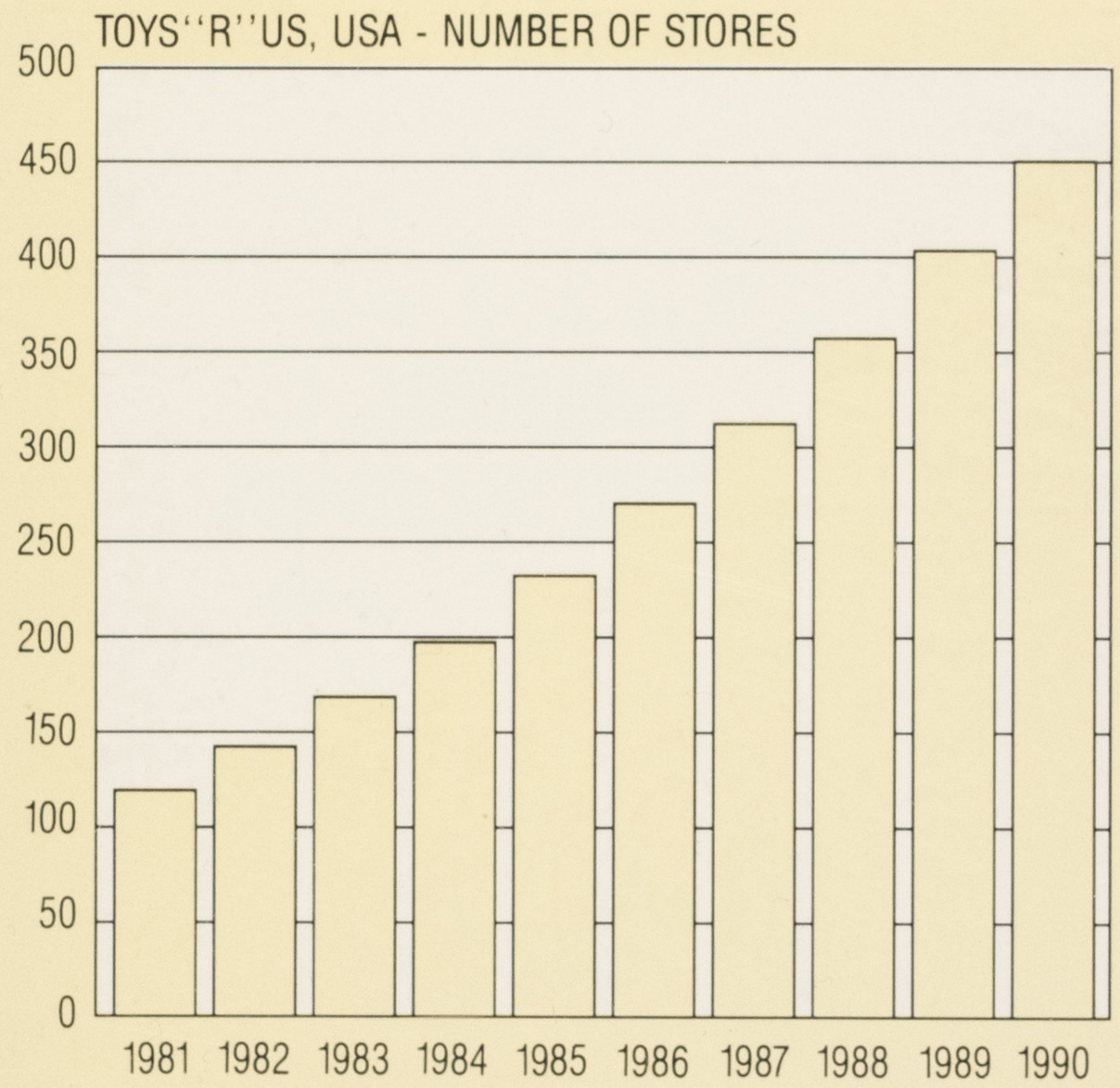
The International Division presents a vast growth opportunity for Toys''R''Us. *In 1991, 30-35 new stores are planned including groundbreaking ventures in Japan and Spain. At the present time the population of all nations belonging to the European community is greater than the U.S., with a gross domestic product about equal to the U.S. Japan presents a similar opportunity, with a rapidly growing gross domestic product.

These facts, combined with the lack of any dominant toy retail competition in Europe and Asia, afford Toys''R''Us an ideal climate for aggressive international expansion during the 90's and beyond.

A DECADE OF EXPANSION

(left) Toys"R"Us' new look for the 90's offers a contemporary store front and highlights our dominant selection.

(right) The 612,000 square foot Rialto distribution center provides 45% more storage capacity in 2/3 of the space.

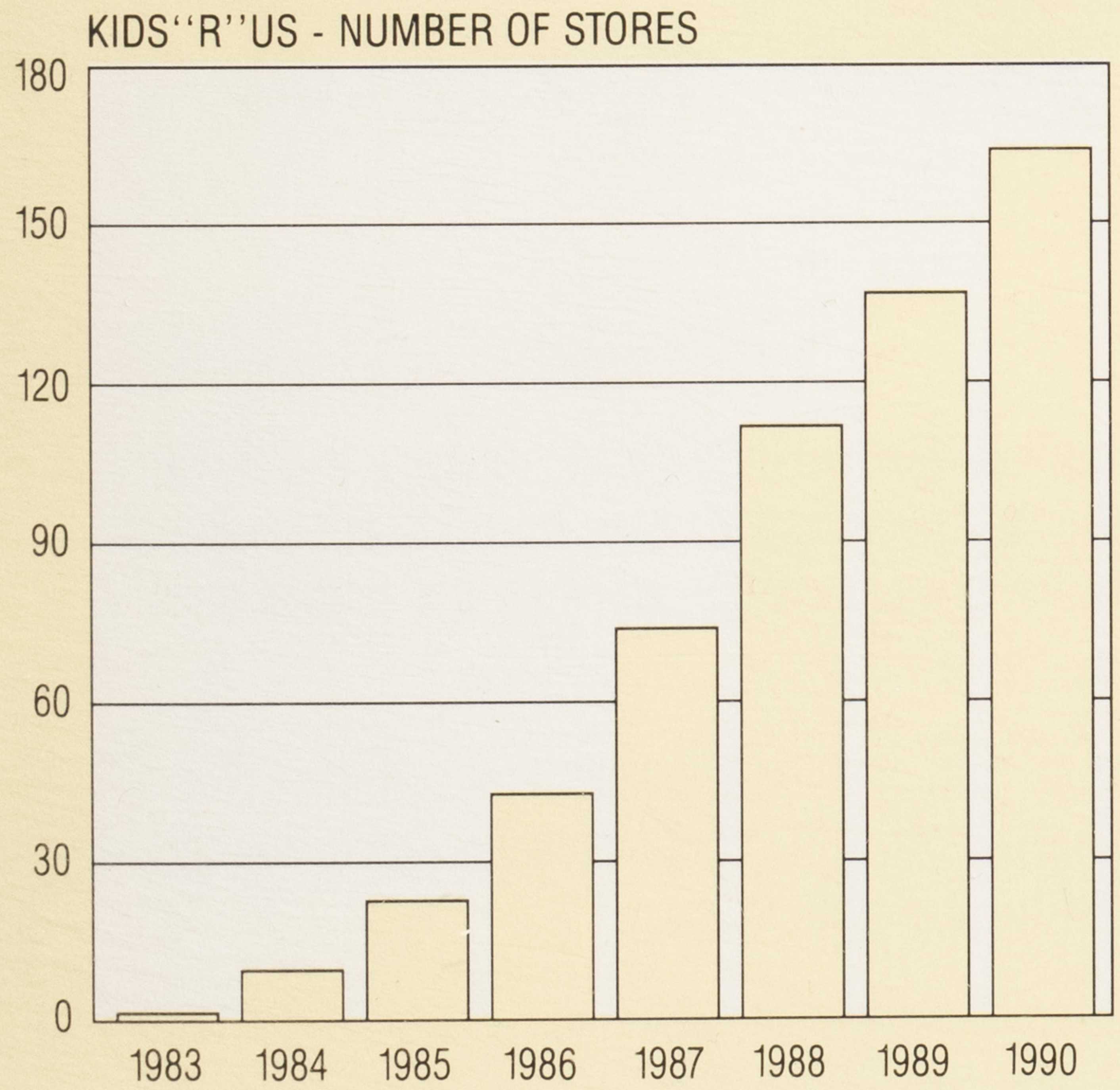


The U.S. Toy Division remains our largest and fastest growing division in dollars, with stores in 44 states and Puerto Rico. In the past year, the store exterior has been redesigned, giving new stores a more contemporary look. In addition 20 older stores have been remodeled. The new store signage program, which is impactful and easy to read, has made shopping at Toys"R"Us even easier.

Our new, fully automated and computerized distribution center in Rialto, California is directly tied into our EDI systems. This enables the center to process, warehouse and distribute merchandise in the most efficient manner based on the latest sales trends. Two additional state of the art distribution centers are slated to open in 1991, in Illinois and Texas.

Kids"R"Us is fast becoming a dominant force in the U.S. children's apparel market. The cornerstone of our success is selection, assortment and presentation which is superior to the competition. When coupled with our everyday low prices on name brands, the result is irresistable to value-conscious Moms and Dads.

Over the past year, Kids"R"Us opened 27 new stores, including new markets in Florida, Georgia and Arizona. With almost 30 stores already in place in California and Arizona, the 90's will find Kids"R"Us poised for continued growth in the West.



(left) The new prototype Kids"R"Us store in Middletown, New York, is highlighted by an open, contemporary facade.

(right) The "Threads" boutique features quality clothing, natural fibers, upscale detailing and great prices.

MANAGEMENT'S DISCUSSION – RESULTS OF OPERATIONS AND FINANCIAL CONDITION

RESULTS OF OPERATIONS*

The Company has experienced sales growth in each of its last three years; sales were up 15.1% in 1990, 19.7% in 1989 and 27.5% in 1988. Part of the growth is attributable to the opening of 138 new U.S. toy stores, 60 international toy stores and 90 children's clothing stores during the three-year period, and a portion of the increase is due to comparable U.S. toy store sales increases of .3%, 6.7% and 11.3% in 1990, 1989 and 1988, respectively.

Cost of sales as a percentage of sales increased to 69.3% in 1990 from 69.1% in 1989 due primarily to more competitive pricing and changes in merchandise mix. Cost of sales as a percentage of sales remained constant in 1989 as compared to 1988.

Selling, advertising, general and administrative expenses as a percentage of sales increased to 18.6% in 1990 from 18.1% in 1989 as a result of lower comparable U.S. toy store sales increases. These expenses decreased in 1989 from 18.4% in 1988 as a result of labor productivity gains and other cost-cutting measures.

Interest expense increased in 1990 compared to 1989 and in 1989 compared to 1988 primarily due to increased short-term borrowings.

The Company's effective tax rate has increased to 37.7% in 1990, from 37.5% in 1989 and 1988.

In December 1987, the Financial Accounting Standards Board issued a new standard on accounting for income taxes (SFAS 96) which changes the accounting for deferred income taxes. Adoption of the new standard is currently required for the fiscal year ending January 30, 1993. Upon adoption of SFAS 96, the Company may recognize some income; however, the amount has not been determined.

Inflation has had little effect on the Company's operations in the last three years.

LIQUIDITY AND CAPITAL RESOURCES

The Company is in a strong financial position as evidenced by the following:

	February 2 1991	*January 28 1990*	*January 29 1989*
Net working capital (in millions)	$ 176.7	$ 238.4	$ 254.6
Long-term debt to equity (including capital leases)	9.5%	10.1%	12.3%
Long-term debt to equity (excluding capital leases)	8.9%	9.4%	11.3%

The Company plans to open 75-85 toy stores in 1991 in the United States, Canada, France, Germany, Hong Kong, Japan, Spain, and the United Kingdom, and 25-30 Kids"R"Us children's clothing stores. The Company opened 70 toy stores in 1990, 68 in 1989 and 60 in 1988. In addition, the Company opened 27 Kids"R"Us children's clothing stores in 1990, 25 in 1989 and 38 in 1988.

Since 1981, the Company has been purchasing most of its real estate and plans to continue this policy. In the last three fiscal years, the Company financed most of its real estate acquisitions through internally generated funds.

For 1991, capital requirements for real estate, store and warehouse fixtures and equipment, leasehold improvements and other additions to property and equipment are estimated at $550 million (including real estate and related costs of $425 million).

In November 1988 and September 1990, the Company's Board of Directors authorized the cumulative repurchase of up to 11,750,000 shares of its common stock. Through February 2, 1991, 6,750,000 shares had been repurchased for approximately $123,410,000.

Because of the seasonal nature of the business (approximately 46% of sales take place in the fourth quarter), cash typically declines from the beginning of the year through October as inventory is built up for the Christmas season and funds are used for land purchases and construction of new stores which usually open in the first ten months of the year. In this connection, the Company has commitments and backup lines from numerous financial institutions to adequately support its short-term financing needs. Management expects that seasonal cash requirements will continue to be met primarily through operations, issuance of short-term commercial paper and bank borrowings for its foreign subsidiaries.

In September 1990, the Company entered into an agreement with a financial institution whereby it may borrow up to $200 million pursuant to a privately placed medium-term senior note facility at fixed or floating interest rates with maturities ranging from 3 to 7 years. The agreement expires on September 19, 1993. There were no borrowings under this agreement during 1990.

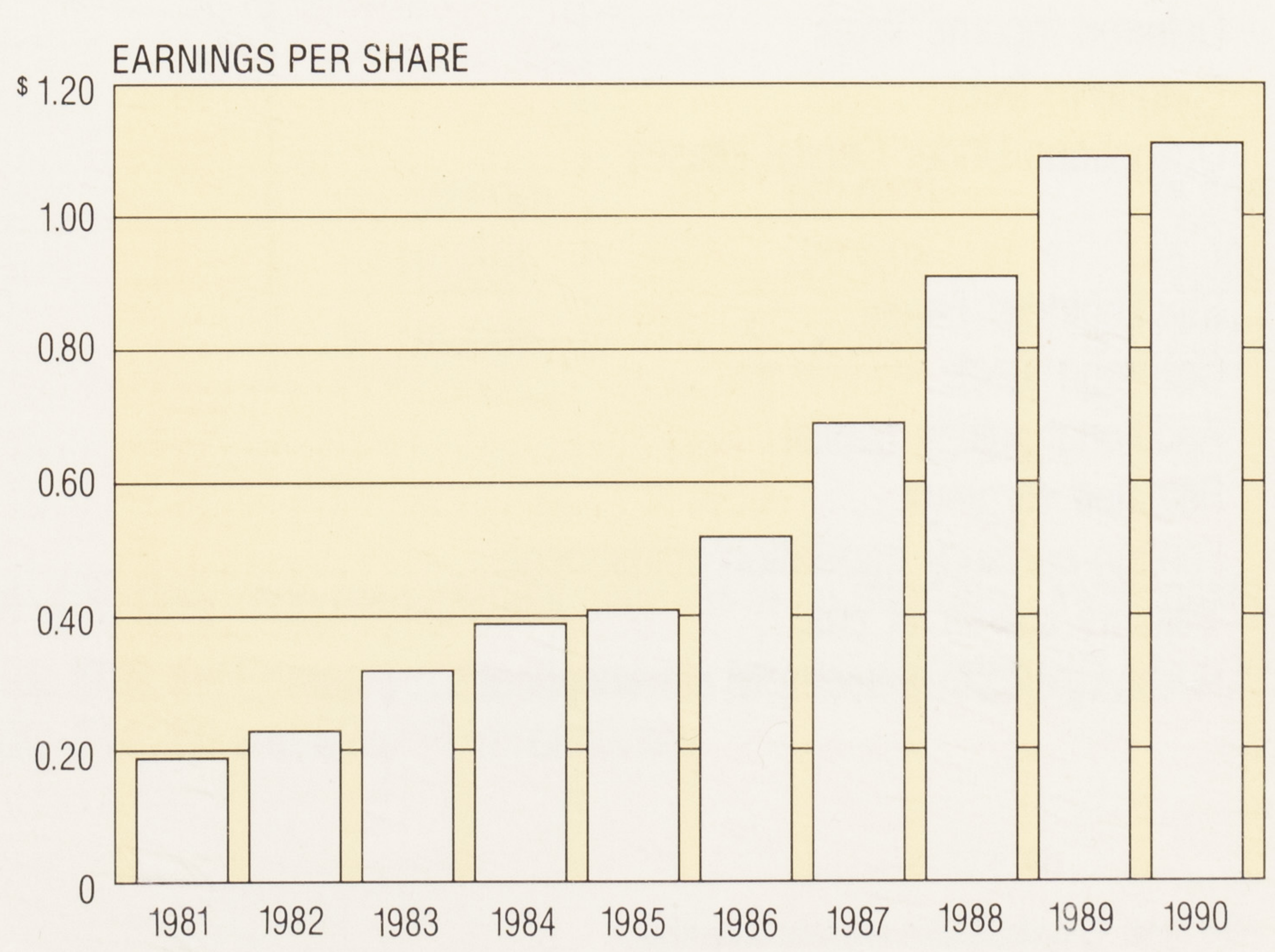
*References to 1990 are for the 53 weeks ended February 2, 1991. References to 1989 and 1988 are for the 52 weeks ended January 28, 1990 and January 29, 1989, respectively.

CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands except per share information)

	Year Ended February 2 1991	January 28 1990	January 29 1989
Net sales	$ 5,510,001	$ 4,787,830	$ 4,000,192
Costs and expenses:			
Cost of sales	3,820,840	3,309,653	2,766,543
Selling, advertising, general and administrative	1,024,809	866,399	736,329
Depreciation and amortization	79,093	65,839	54,564
Interest expense	73,304	44,309	25,812
Interest and other income	(11,233)	(12,050)	(11,880)
	4,986,813	4,274,150	3,571,368
Earnings before taxes on income	523,188	513,680	428,824
Taxes on income	197,200	192,600	160,800
Net earnings	$ 325,988	$ 321,080	$ 268,024
Net earnings per share	$ 1.11	$ 1.09	$ .91

See notes to consolidated financial statements.



TOYS"R"US, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands)

	February 2 1991	January 28 1990
ASSETS		
Current Assets:		
Cash and short-term investments	$ 35,005	$ 40,895
Accounts and other receivables	73,170	53,098
Merchandise inventories	1,275,169	1,230,394
Prepaid expenses	20,981	13,965
Total Current Assets	1,404,325	1,338,352
Property and Equipment:		
Real estate, net	1,433,489	1,141,690
Other, net	700,481	553,104
Leased property under capital leases, net	7,371	8,180
Total Property and Equipment	2,141,341	1,702,974
Other Assets	36,777	33,362
	$ 3,582,443	$ 3,074,688
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Short-term notes payable to banks	$ 386,470	$ 205,513
Accounts payable	483,948	517,903
Accrued expenses, taxes and other liabilities	275,579	280,517
Income taxes	81,591	96,033
Total Current Liabilities	1,227,588	1,099,966
Deferred Income Taxes	113,405	96,391
Long-Term Debt	182,695	159,518
Obligations Under Capital Leases	12,462	13,467
Stockholders' Equity:		
Common stock	29,794	19,797
Additional paid-in capital	353,924	324,616
Retained earnings	1,752,800	1,436,855
Foreign currency translation adjustments	40,428	23,010
Treasury shares, at cost	(129,340)	(96,973)
Receivable from exercise of stock options	(1,313)	(1,959)
	2,046,293	1,705,346
	$ 3,582,443	$ 3,074,688

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Year Ended February 2 1991	January 28 1990	January 29 1989
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 325,988	$ 321,080	$ 268,024
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	79,093	65,839	54,564
Deferred taxes	17,014	17,572	25,463
Change in operating assets and liabilities:			
Accounts and other receivables	(20,072)	14,932	(5,886)
Merchandise inventories	(44,775)	(299,274)	(158,287)
Prepaid expenses and other assets	(10,431)	(11,391)	(14,366)
Accounts payable, accrued expenses and taxes	(53,529)	92,316	158,802
Total adjustments	(32,700)	(120,006)	60,290
Net cash provided by operating activities	293,288	201,074	328,314
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures – net	(517,460)	(371,851)	(327,010)
Other – net	17,385	(5,114)	4,463
Net cash used in investing activities	(500,075)	(376,965)	(322,547)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short-term borrowings – net	180,957	129,380	58,476
Long-term borrowings	33,152	—	693
Long-term debt repayments	(10,864)	(1,199)	(3,899)
Exercise of stock options	30,344	19,861	52,429
Share repurchase program	(32,692)	(54,168)	(36,550)
Net cash provided by financing activities	200,897	93,874	71,149
CASH AND SHORT-TERM INVESTMENTS			
Increase (decrease) during year	(5,890)	(82,017)	76,916
Beginning of year	40,895	122,912	45,996
End of year	$ 35,005	$ 40,895	$ 122,912

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

The Company considers all highly liquid investments purchased as part of its daily cash management activities to be short-term investments.

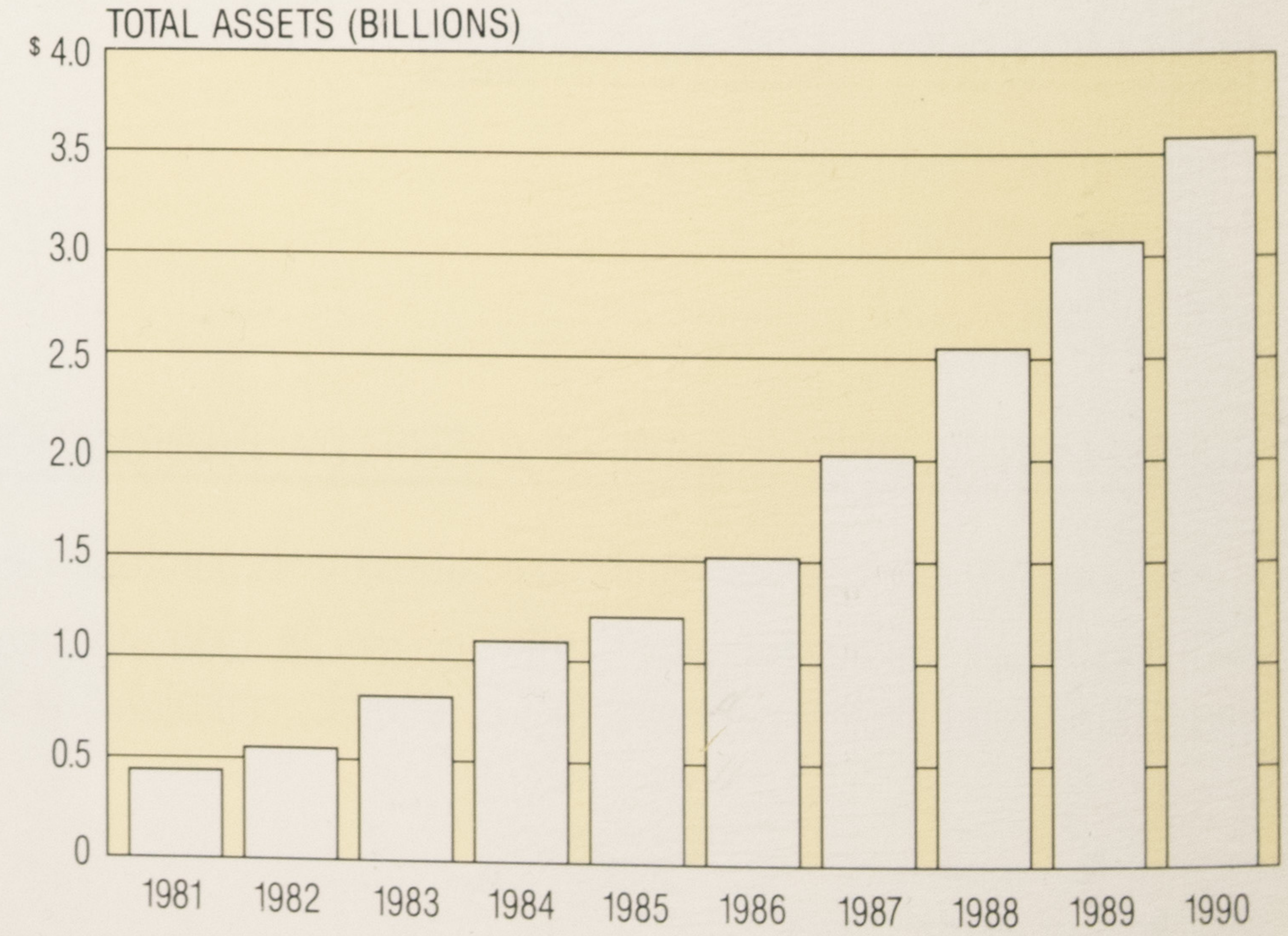
During the years ended February 2, 1991, January 28, 1990 and January 29, 1989, the Company made income tax payments of $180,943, $116,770 and $110,079 and interest payments (net of amounts capitalized) of $77,570, $44,265 and $25,738, respectively.

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

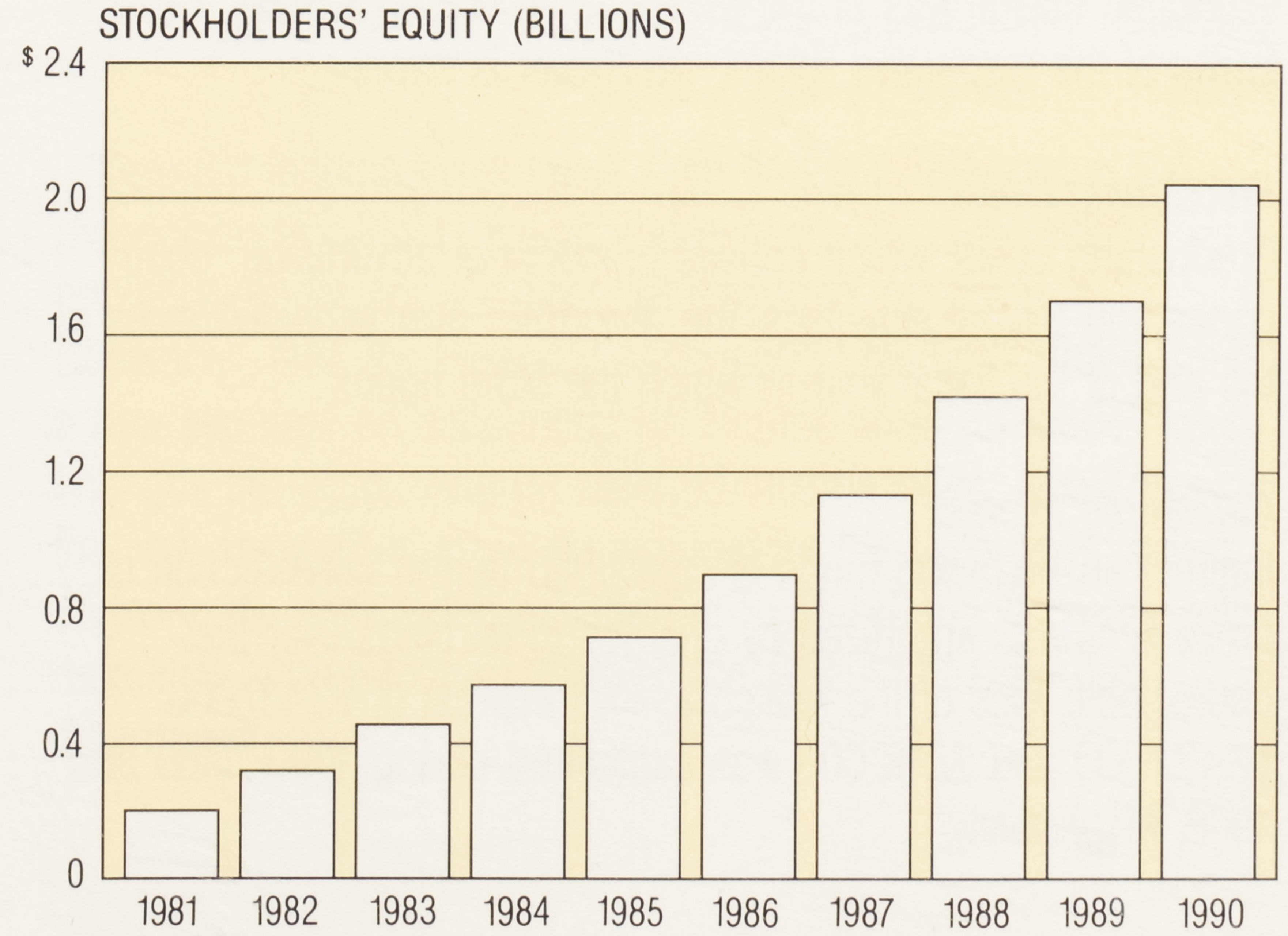
(In thousands)	Issued *Shares*	Issued *Amount*
Balance, January 31, 1988	130,531	$ 13,053
Net earnings for the year	—	—
Share repurchase program	—	—
Exercise of stock options	1,106	111
Tax benefit from exercise of stock options	—	—
Foreign currency translation adjustments	—	—
Balance, January 29, 1989	131,637	13,164
Net earnings for the year	—	—
Three-for-two stock split effected in the form of a 50% stock dividend paid May 26, 1989	65,948	6,595
Share repurchase program	—	—
Exercise of stock options	389	38
Tax benefit from exercise of stock options	—	—
Repayment of stock option loans	—	—
Foreign currency translation adjustments	—	—
Balance, January 28, 1990	197,974	19,797
Net earnings for the year	—	—
Three-for-two stock split effected in the form of a 50% stock dividend paid June 29, 1990	99,316	9,932
Share repurchase program	—	—
Exercise of stock options	648	65
Tax benefit from exercise of stock options	—	—
Repayment of stock option loans	—	—
Foreign currency translation adjustments	—	—
Balance, February 2, 1991	297,938	$ 29,794

See notes to consolidated financial statements.



Common stock in Treasury — Shares	Common stock in Treasury — Amount	Additional paid-in capital	Retained earnings	Foreign currency translation adjustments	Receivable from exercise of stock options	Total
(2,600)	$ (5,929)	$ 252,493	$ 854,421	$ 23,586	$ (2,303)	$ 1,135,321
—	—	—	268,024	—	—	268,024
(983)	(36,550)	—	—	—	—	(36,550)
(25)	(928)	15,593	—	—	—	14,776
—	—	37,653	—	—	—	37,653
—	—	—	—	4,463	—	4,463
(3,608)	(43,407)	305,739	1,122,445	28,049	(2,303)	1,423,687
—	—	—	321,080	—	—	321,080
(2,382)	—	—	(6,670)	—	—	(75)
(1,426)	(54,168)	—	—	—	—	(54,168)
469	602	12,155	—	—	—	12,795
—	—	6,722	—	—	—	6,722
—	—	—	—	—	344	344
—	—	—	—	(5,039)	—	(5,039)
(6,947)	(96,973)	324,616	1,436,855	23,010	(1,959)	1,705,346
—	—	—	325,988	—	—	325,988
(3,264)	—	—	(10,043)	—	—	(111)
(1,330)	(32,692)	—	—	—	—	(32,692)
1,260	325	17,597	—	—	—	17,987
—	—	11,711	—	—	—	11,711
—	—	—	—	—	646	646
—	—	—	—	17,418	—	17,418
(10,281)	$ (129,340)	$ 353,924	$ 1,752,800	$ 40,428	$ (1,313)	$ 2,046,293

STOCKHOLDERS' EQUITY (BILLIONS)



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

References to 1990 are for the 53 weeks ended February 2, 1991. References to 1989 and 1988 are for the 52 weeks ended January 28, 1990 and January 29, 1989, respectively.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fiscal Year

In 1990, the Company changed its fiscal year end to the Saturday nearest to January 31. Prior to 1990, the Company's fiscal year ended on the Sunday nearest to January 31.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany balances and transactions have been eliminated. In accordance with Statement of Financial Accounting Standards (SFAS) No. 52, assets and liabilities of foreign operations are translated at current rates of exchange at the balance sheet date while results of operations are translated at average rates in effect for the period. Translation gains or losses are shown as a separate component of stockholders' equity.

Merchandise Inventories

Merchandise inventories for the U.S. toy and children's clothing store operations, which represent over 79% of total inventories, are stated at the lower of LIFO (last-in, first-out) cost or market as determined by the retail inventory method. If inventories had been valued at the lower of FIFO (first-in, first-out) cost or market, inventories would show no change at February 2, 1991 or January 28, 1990. Merchandise inventories for International toy stores are stated at the lower of FIFO cost or market as determined by the retail inventory method.

Property and Equipment

Property and equipment are recorded at cost. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the assets, or where applicable, the terms of the respective leases, whichever is shorter.

Preopening Costs

Preopening costs, which consist primarily of advertising, occupancy and payroll expenses, are amortized over expected sales to the end of the fiscal year in which the store opens.

Capitalized Interest

Interest on borrowed funds is capitalized during construction of property and is amortized by charges to earnings over the depreciable lives of the related assets. Interest of $9,437,000, $8,482,000 and $7,119,000 was capitalized during 1990, 1989 and 1988, respectively.

PROPERTY AND EQUIPMENT

(In thousands)	*Useful Life (in years)*	*February 2 1991*	*January 28 1990*
Land		$ 479,802	$ 403,997
Buildings	20-50	961,892	742,120
Furniture and equipment	5-15	581,971	463,341
Leaseholds and leasehold improvements	12½-50	364,065	281,471
Construction in progress		66,334	52,189
Leased property under capital leases		21,172	21,172
		2,475,236	1,964,290
Less accumulated depreciation and amortization		333,895	261,316
		$ 2,141,341	$ 1,702,974

LONG-TERM DEBT

(In thousands)	*February 2 1991*	*January 28 1990*
Industrial revenue bonds (a)	$ 81,342	$ 61,670
Mortgage notes payable at annual interest rates from 7⅛% to 11% (b)	14,472	1,423
8¼% sinking fund debentures, due 2017 net of discounts of $3,012 and $3,090 (c)	87,488	96,910
	183,302	160,003
Less current portion	607	485
	$ 182,695	$ 159,518

(a) At February 2, 1991, certain industrial revenue bonds are collateralized by property and equipment with an aggregate carrying value of $11,456,000. The bonds have fixed or variable interest rates with an average of 6.6% at February 2, 1991. In addition, $53,680,000 are supported by bank letters of credit expiring in 1991 and 1992. The Company has commitments to extend those letters of credit expiring in 1991, and expects those expiring in 1992 will be renewed.

(b) Mortgage notes payable are collateralized by property and equipment with an aggregate carrying value of $21,408,000 at February 2, 1991.

(c) On October 25, 1990, the Company retired bonds with a face value of $9,500,000 resulting in a pretax gain of $979,000 which is included in interest and other income.

The annual maturities of long-term debt at February 2, 1991 are as follows:

Year ending in	*(In thousands)*
1992	$ 607
1993	639
1994	670
1995	720
1996	712
1997 and subsequent	179,954
	$ 183,302

LEASES

The Company leases a portion of the real estate used in its operations. Most leases require the Company to pay real estate taxes and other expenses; some require additional amounts based on percentages of sales.

Obligations under capital leases require minimum payments as follows:

Year ending in	*(In thousands)*
1992	$ 2,295
1993	2,235
1994	2,235
1995	2,140
1996	2,048
1997 and subsequent	11,859
Total minimum lease payments	22,812
Less amount representing interest	9,346
Obligations under capital leases	13,466
Less current portion	1,004
	$ 12,462

Minimum rental commitments (excluding renewal options) under noncancellable operating leases having a term of more than one year as of February 2, 1991 were as follows:

(In thousands) *Year ending in*	*Gross minimum rentals*	*Sublease income*	*Net minimum rentals*
1992	$ 111,395	$ 1,334	$ 110,061
1993	113,315	1,317	111,998
1994	114,501	1,320	113,181
1995	114,923	1,158	113,765
1996	112,132	922	111,210
1997 and subsequent	1,838,772	3,443	1,835,329
	$ 2,405,038	$ 9,494	$ 2,395,544

Total rental expense was as follows:

			Year ended
(In thousands)	*February 2 1991*	*January 28 1990*	*January 29 1989*
Minimum rentals	$ 99,590	$ 79,154	$ 62,945
Additional amounts computed as percentages of sales	5,174	5,000	4,410
	104,764	84,154	67,355
Less sublease income	2,502	1,925	1,877
	$ 102,262	$ 82,229	$ 65,478

STOCKHOLDERS' EQUITY

The authorized shares of the Company consist of 350,000,000 common shares, par value of $.10 per share with 297,938,000 and 197,974,000 issued and 10,281,000 and 6,947,000 shares in Treasury at February 2, 1991 and January 28, 1990, respectively.

On June 6, 1990, the Company's Board of Directors approved a three-for-two stock split, effected in the form of a 50% stock dividend, payable June 29, 1990 to stockholders of record on June 18, 1990. All share data have been adjusted for this stock split.

Net earnings per share is computed by dividing net earnings by the weighted average number of common shares outstanding after reduction for treasury shares and assuming exercise of dilutive stock options computed by the treasury stock method using the average market price during the year.

Average weighted numbers of shares used in computing net earnings per share were as follows:

			Year ended
(In thousands)	*February 2 1991*	*January 28 1990*	*January 29 1989*
Common and common equivalent shares	294,895	293,858	295,893

TAXES ON INCOME

The provision for taxes on income consists of the following:

			Year ended
(In thousands)	*February 2 1991*	*January 28 1990*	*January 29 1989*
Current			
Federal	$ 138,872	$ 135,736	$ 105,575
Foreign	12,414	10,692	5,562
State	28,900	28,600	24,200
	180,186	175,028	135,337
Deferred	17,014	17,572	25,463
Total	$ 197,200	$ 192,600	$ 160,800

Deferred income taxes result from timing differences in the recognition of certain income and expense items (primarily depreciation) for tax and financial statement purposes. In December 1987, the Financial Accounting Standards Board issued a new standard on accounting for income taxes (SFAS 96) which changes the accounting for deferred income taxes. Adoption of the new standard is currently required for the fiscal year ending January 30, 1993. Upon adoption of SFAS 96, the Company may recognize some income; however, the amount has not been determined.

A reconciliation of the federal statutory tax rate with the effective tax rate follows:

	Year ended		
	February 2 1991	*January 28 1990*	*January 29 1989*
Statutory tax rate	34.0%	34.0%	34.0%
State income taxes, net of federal income tax benefit	3.7	3.7	3.7
Tax free interest, dividends and other, net	—	(.1)	.1
Foreign	.2	—	(.1)
Jobs tax credits	(.2)	(.1)	(.2)
	37.7%	37.5%	37.5%

PROFIT-SHARING PLAN

The Company has a profit-sharing plan with a 401(k) salary deferral feature for eligible employees. The Plan may be terminated at the Company's discretion. Provisions of $19,730,000, $14,390,000 and $13,399,000 have been charged to operations in 1990, 1989 and 1988, respectively.

STOCK OPTIONS

The Company has a Stock Option Plan (the "Plan") which provides for the grant of options to substantially all employees of the Company and its subsidiaries to purchase the Company's common stock. The Plan provides for the grant of non-qualified options and incentive stock options. The exercise price per share of all options heretofore granted has been the market price of the Company's common stock on the date of grant. Since November 1987, only non-qualified stock options have been granted. Generally, outstanding options become exercisable four years and nine months from the date of grant and must be exercised within ten years from the date of grant.

At February 2, 1991, 5,500,902 shares were available for future grants under the Plan and 3,499,960 options were exercisable. All outstanding options expire at dates ranging from June 1992 to January 2001.

Transactions are summarized as follows:

	Shares Under Option		
(In thousands except price range)	*Incentive*	*Non-qualified*	*Price Range*
Outstanding January 28, 1990	3,503	8,805	$ 3.57 - 24.54
Granted	—	2,071	21.06 - 32.13
Exercised	(1,040)	(228)	3.57 - 16.78
Cancelled	(162)	(886)	12.59 - 24.54
Outstanding February 2, 1991	2,301	9,762	$ 3.57 - 32.13

Pursuant to individual stock option agreements, three senior executives and one former senior executive were granted an aggregate of 6,159,375 options, during the period 1984 to 1989, at exercise prices of $7.03, $14.45 and $16.58 per share, the market price on the date of such grants. During 1990, 1,300,000 shares were exercised. Currently 3,653,856 shares are exercisable and 472,500 shares become exercisable in 1992 and 1993, with the remaining 225,000 shares becoming exercisable in 1994.

In September 1990, the Board of Directors adopted, subject to stockholder approval, a non-qualified stock option plan covering non-employee directors providing for the issuance of up to 200,000 shares. On September 19, 1990, 40,000 options were granted at an exercise price of $22.88 per share, the market price on the date of such grant. These options are exercisable 20% each year on a cumulative basis commencing September 19, 1991.

At February 2, 1991, an aggregate of 22,588,044 shares of authorized common stock was reserved for all of the options noted above.

The exercise of non-qualified stock options results in state and federal income tax benefits to the Company equal to the difference between the market price at the date of exercise and the option price. During 1990, 1989 and 1988, $11,711,000, $6,722,000, and $37,653,000, respectively, was credited to additional paid-in capital.

FOREIGN OPERATIONS

Certain information relating to the Company's foreign operations is set forth below. Corporate assets include all cash and short-term investments and other related assets.

	Year ended		
(In thousands)	*February 2 1991*	*January 28 1990*	*January 29 1989*
Sales			
Domestic	$ 4,737,044	$ 4,253,906	$ 3,632,549
Foreign	772,957	533,924	367,643
Total	$ 5,510,001	$ 4,787,830	$ 4,000,192
Operating Profit			
Domestic	$ 513,049	$ 504,392	$ 420,374
Foreign	77,591	48,179	27,320
General corporate expenses	(5,381)	(6,632)	(4,938)
Interest expense, net	(62,071)	(32,259)	(13,932)
Earnings before taxes on income	$ 523,188	$ 513,680	$ 428,824
Identifiable Assets			
Domestic	$ 2,783,352	$ 2,519,223	$ 2,092,550
Foreign	731,083	494,043	311,118
Corporate	68,008	61,422	151,292
Total	$ 3,582,443	$ 3,074,688	$ 2,554,960

QUARTERLY FINANCIAL DATA

The following table sets forth certain unaudited quarterly financial information.

(In thousands except per share information)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
YEAR ENDED FEBRUARY 2, 1991				
Net Sales	$ 944,802	$ 964,034	$ 1,052,607	$ 2,548,558
Cost of Sales	653,384	668,267	722,327	1,776,862
Net Earnings	33,228	26,494	28,725	237,541
Net Earnings per Share	$ .11	$ .09	$ .10	$ .81
YEAR ENDED JANUARY 28, 1990				
Net Sales	$ 767,661	$ 775,499	$ 916,189	$ 2,328,481
Cost of Sales	528,842	535,466	637,754	1,607,591
Net Earnings	27,149	23,482	28,690	241,759
Net Earnings per Share	$ .09	$ .08	$ .10	$ .82

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
Toys "R" Us, Inc.
Paramus, New Jersey

We have audited the accompanying consolidated balance sheets of Toys "R" Us, Inc. and subsidiaries as of February 2, 1991 and January 28, 1990, and the related consolidated statements of earnings, stockholders' equity and cash flows for each of the three years in the period ended February 2, 1991. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Toys"R"Us, Inc. and subsidiaries as of February 2, 1991 and January 28, 1990, and the results of their operations and their cash flows for each of the three years in the period ended February 2, 1991 in conformity with generally accepted accounting principles.

Deloitte & Touche

March 13, 1991
New York, New York

MARKET INFORMATION

The Company's Common Stock is listed on the New York Stock Exchange. The following table reflects the high and low prices (rounded to the nearest one-eighth) based on New York Stock Exchange trading since January 29, 1989. Prices have been restated to reflect the three-for-two stock split effected on June 29, 1990.

The Company has not paid any cash dividends, and a change in this policy is not under consideration by the Board of Directors.

The number of stockholders of record of common stock on March 15, 1991 was approximately 19,000.

	High	Low
1989		
1st Quarter	19⅝	16⅛
2nd Quarter	21½	18⅜
3rd Quarter	26¾	20½
4th Quarter	26⅝	22⅞
1990		
1st Quarter	29⅞	23½
2nd Quarter	32⅜	26¼
3rd Quarter	35	21⅞
4th Quarter	25½	19⅞

REPORT OF MANAGEMENT

Responsibility for the integrity and objectivity of the financial information presented in this Annual Report rests with Toys"R"Us management. The accompanying financial statements have been prepared from accounting records which management believes fairly and accurately reflect the operations and financial position of the Company. Management has established a system of internal controls to provide reasonable assurance that assets are maintained and accounted for in accordance with its policies and that transactions are recorded accurately on the Company's books and records.

The Company's comprehensive internal audit program provides for constant evaluation of the adequacy of and adherence to management's established policies and procedures. The Company has distributed to key employees its policies for conducting business affairs in a lawful and ethical manner.

The financial statements of the Company have been audited by Deloitte & Touche, independent auditors. Their accompanying report is based on an audit conducted in accordance with generally accepted auditing standards, including a review of internal accounting controls and financial reporting matters.

Charles Lazarus   Michael Goldstein

Charles Lazarus
Chairman of the Board
and Chief Executive Officer

Michael Goldstein
Vice Chairman-Chief Financial
and Administrative Officer

DIRECTORS AND OFFICERS

DIRECTORS

Robert A. Bernhard
Real Estate Developer

Albert E. Christie
Retired Senior Vice President
Manufacturers Hanover Trust Company

Michael Goldstein
Vice Chairman-Chief Financial and Administrative Officer of the Company

Milton S. Gould
Attorney-at-law; Partner-Shea & Gould

Shirley Strum Kenny
President, Queens College of the City University of New York

Charles Lazarus
Chairman of the Board and Chief Executive Officer of the Company

Reuben Mark
Chairman, President, CEO
Colgate Palmolive Company

Howard W. Moore
Former Executive Vice President-General Merchandise Manager of the Company

Robert C. Nakasone
Vice Chairman-President of Worldwide Toy Stores of the Company

Norman M. Schneider
Former Chairman, Leisure Products Division of Beatrice Foods Company; Consultant

Harold M. Wit
Managing Director, Allen & Company Incorporated; Investment Bankers

OFFICERS – CORPORATE AND ADMINISTRATIVE

Charles Lazarus
Chairman of the Board and Chief Executive Officer

Michael Goldstein
Vice Chairman-Chief Financial and Administrative Officer

Robert C. Nakasone
Vice Chairman - President of Worldwide Toy Stores

Michael P. Miller
Senior Vice President - Real Estate

Jonathan M. Friedman
Vice President - Controller

Dennis Healey
Vice President - Management Information Systems

Mark L. Keschl
Vice President - Real Estate

Louis Lipschitz
Vice President - Finance and Treasurer

Henry O. Smith III
Secretary-Attorney-at law; Partner-Shea & Gould

Eric A. Swartwood
Vice President - Architecture and Construction

Michael L. Tumolo
Vice President - Real Estate Counsel

TOYS"R"US UNITED STATES – OFFICERS AND GENERAL MANAGERS

Roger V. Goddu
Executive Vice President - General Merchandise Manager

Van H. Butler
Senior Vice President - Marketing and Divisional Merchandise Manager

Bruce C. Hall
Senior Vice President - Store Operations and Support Services

Robert J. Weinberg
Senior Vice President - Divisional Merchandise Manager

Sanford Bolinger
Vice President - Merchandise Planning and Allocation

Richard N. Cudrin
Vice President - Employee and Labor Relations

Martin Fogelman
Vice President - Divisional Merchandise Manager

E. Kent Kinard
Vice President - Operations

Michael J. Madden
Vice President - Physical Distribution

Thomas J. Reinebach
Vice President-Operations Development

Robert Rossi
Vice President - TRU (HK) Limited Hong Kong Buying Office

Ernest V. Speranza
Vice President - Advertising

Gregory Staley
Vice President - Divisional Merchandise Manager

Jeffrey S. Wells
Vice President - Human Resources

GENERAL MANAGERS

Harvey J. Finkel
New England

James M. Francis
Central Ohio/Indiana/Kentucky

James W. Gary
Illinois/Wisconsin/Minnesota

Michael A. Gerety
Georgia/South Carolina/Tennessee/Alabama

Gary H. Gilliard
Colorado/Utah/New Mexico

Mark H. Haag
Southern California/Arizona/Nevada

Richard A. Moyer
S. Texas/Louisiana/Mississippi

William D. Naert
N.E. Ohio/W. Pennsylvania

Gerald S. Parker
Northern California

John J. Prawlocki
Florida/Puerto Rico

Robert F. Price
New York/New Jersey

J. Michael Roberts
Pacific Northwest

Edward F. Siegler
Kansas/Missouri/Iowa/Nebraska

William A. Stephenson
Pennsylvania/Delaware/N. New York

John P. Suozzo
Maryland/Virginia/North Carolina

Brian L. Voorhees
N. Texas/Oklahoma/Arkansas

Dennis J. Williams
Michigan/N.W. Ohio

KIDS"R"US – OFFICERS

Michael M. Searles
President

Daniel Englander
Vice President - Management Information Systems

James A. Fobert
Vice President - Operations and Planning

Jerel G. Hollens
Vice President - Merchandise Planning and Allocation

Debra G. Hyman
Vice President - Divisional Merchandise Manager

Elizabeth S. Jordan
Vice President - Human Resources

Bruce H. Kaplan
Vice President - Divisional Merchandise Manager

Richard Markee
Vice President - General Merchandise Manager

James G. Parros
Vice President - Physical Distribution

Carl P. Spaulding
Vice President - Stores

Katherine Sperling
Vice President - Divisional Merchandise Manager

Arthur I. Weber
Vice President - Finance and Administration

TOYS"R"US INTERNATIONAL - OFFICERS AND COUNTRY MANAGEMENT

Larry D. Bouts
President

Adam Szopinski
Vice President - Operations

Philip Bloom
Vice President -
General Merchandise Manager

Joseph Giamelli
Vice President -
Management Information Systems

Donald L. Margolis
Vice President - Controller

COUNTRY MANAGEMENT

David Rurka
President - Toys"R"Us Europe
Managing Director - Toys"R"Us (U.K.) Ltd.

Arnt Klöser
Managing Director - Toys"R"Us (Germany)
GmbH

Jacques Le Foll
President - Toys"R"Us (France)
S.A.R.L.

Guillermo Porrati
Managing Director - Toys"R"Us
Iberia S.A.

Manabu Tazaki
Managing Director - Toys"R"Us
Japan, Ltd.

Elliott Wahle
President - Toys"R"Us
(Canada) Ltd.

Scott Chen
General Manager - Toys"R"Us
Lifung (Taiwan) Ltd.

Thomas Shek
General Manager - Toys"R"Us
Lifung (Hong Kong) Ltd.

Michael Yeo
General Manager - Toys"R"Us - Metro
(Singapore) Pte. Ltd.

CORPORATE DATA

ANNUAL MEETING

The Annual Meeting of the Stockholders of Toys"R"Us, Inc. will be held at the offices of the Company, 461 From Road, Paramus, New Jersey on Wednesday, June 5, 1991 at 10:00 A.M.

STOCKHOLDER INFORMATION

The Company will supply to any owner of Common Stock, upon written request to Mr. Louis Lipschitz of the Company at the address set forth below, and without charge, a copy of the Annual Report on Form 10-K for the year ended February 2, 1991, which has been filed with the Securities and Exchange Commission.

GENERAL COUNSEL

Shea & Gould, 1251 Avenue of the Americas, New York, New York 10020

INDEPENDENT AUDITORS

Deloitte & Touche, 1633 Broadway, New York, New York 10019

REGISTRAR AND TRANSFER AGENT

American Stock Transfer and Trust Company, 40 Wall Street, New York, New York 10005

COMMON STOCK LISTED

New York Stock Exchange, Symbol: TOY

THE OFFICE OF THE COMPANY IS LOCATED AT

461 From Road, Paramus, New Jersey 07652, Telephone: 201-262-7800

Design
Christine Cooney

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James D'Addio

TOYS"R"US®

461 From Road, Paramus, N.J. 07652

TOYS "Я" US LIMITED

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MAIDENHEAD
SL6 4UB UK

TEL: 0628 414141
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FM/VSB

18th January 1994

University of Strathclyde,
The Andersonian Library,
Curran Building,
101 St James' Road,
GLASGOW.
G4 0NS

Dear Sirs,

Thank you for your letter of 14th December requested a copy of our Annual Report. Unfortunately I am unable to supply a copy but would advise that company information is available from Companies House.

Yours faithfully,

Valerie Barnes

Valerie Barnes